


Non-Executive Report of the:  <b>Audit Committee</b>  29 July 2021	
<b>Report of:</b> Kevin Bartle, Interim Corporate Director, Resources (s.151 Officer)	<b>Classification:</b> Open (Unrestricted)
<b>Internal Audit Strategy &amp; the Internal Audit &amp; Anti-Fraud Annual Plan 2021/22</b>	

<b>Originating Officer(s)</b>	Paul Rock
<b>Wards affected</b>	(All Wards);

## Executive Summary

The following report presents the updated Internal Audit Strategy for 2020 to 2023 and the annual Internal Audit and Anti-Fraud Plan for 2021/22 for the Audit Committee's review and agreement.

## Recommendations:

The Audit Committee is recommended to:

1. Agree the updated Internal Audit Strategy for 2020 to 2023
2. Agree the Internal Audit and Anti-Fraud plan for 2021/22.
3. Note the current level of internal audit resource and the plans to increase resources and subsequently the internal audit plan.

## 1. REASONS FOR THE DECISIONS

- 1.1 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:
  - facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - ensures that the financial and operational management of the authority is effective; and
  - includes effective arrangements for the management of risk.
- 1.2 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

## 2. ALTERNATIVE OPTIONS

2.1 None.

## 3. DETAILS OF THE REPORT

### Internal Audit Strategy 2020 to 2023

- 3.1 Whilst not a requirement of the Public Sector Internal Audit Standards, it is considered good practice for Internal Audit to adopt a more strategic approach to achieving its vision and mission, thereby positioning itself to better meet the expectations of its internal and external stakeholders. A three-year strategy was prepared and agreed with the Audit Committee in 2020.
- 3.2 The Internal Audit Strategy sets out the medium-term direction of the Internal Audit service. The strategy outlines what the priorities of the service will be going forward.
- 3.3 The strategy is supported by the Internal Audit Charter, the annual internal audit and anti-fraud plan, as well as the Quality Assurance and Improvement Programme which outlines service development actions.
- 3.4 In keeping with our previous intention, this strategy has been reviewed, updated and presented to the Corporate Leadership Team (CLT). The strategy is presented to the Audit Committee for review and agreement. There are separate organisational strategies for risk and counter fraud.
- 3.5 The priorities we have identified will support us in achieving our vision:
- “To be a high performing internal audit service that supports the organisation in achieving its objectives, meets the expectations of our internal and external stakeholders, and is recognised as a critical friend and trusted advisor helping to unlock organisational improvement through better governance, risk management and internal control.”*
- 3.6 In summary, our priorities and actions in year one were focussed on the internal audit service itself and areas to improve, as well as raising our profile with the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Council’s Members.
- 3.7 In years two and three we will be aiming to increasing our added value activity by supporting the Council to map assurance against its key risks, introducing a structured approach for sharing good practice and integrating fraud prevention activating into our work.
- 3.8 A copy of the Internal Audit Strategy is attached at Appendix A. The strategy was reviewed and agreed by CLT in June 2021.

## **Recommendation**

3.9 The Audit Committee to review and agree the Internal Audit Strategy.

### **Internal Audit and Anti-Fraud Plan 2021/22**

3.10 The Public Sector Internal Audit Standards require the Head of Internal Audit to establish a risk-based plan that sets out the priorities of the internal audit activity which should be consistent with the Council's strategies and outcomes.

3.11 Preparation of the plan began in April 2021 and continued through to June when it was presented to CLT for their agreement in principle. In preparing the plan we:

- Consulted with Members, Corporate and Divisional Directors and the Chief Executive to understand the Council's current strategies, key business objectives, the associated risks and assurance requirements.
- Considered the Council's risk maturity and reviewed the Directorate and Corporate Risk Registers.
- Considered national and local risks through research and discussion with peers.
- Considered the outcomes of our previous internal audit and anti-fraud activity.
- Reviewed and updated our audit universe (a record of all auditable activities).
- Considered what other assurance providers (if any) will be inspecting the Council in the coming year and whether we can place reliance on their work.
- Ensured each assurance or consultancy activity was aligned to the Council's priorities, outcomes and whenever possible its risks.

### **Resources and Limitations**

3.12 The plan has been designed around the current and planned level of internal audit and fraud prevention resources likely to be available over the course of 2021/2022. The internal audit resources are currently below establishment due to the freeze on recruitment during 2020/21 and a restructure of the whole service (internal audit, anti-fraud, risk and insurance). The restructuring was completed in June 2021 and we are now free to recruit to the remaining vacancies.

3.13 To manage the reduced resources, the internal audit section of the plan is split into Priority 1 and Priority 2 audits. We have sufficient capability and capacity to deliver Priority 1 audits. The Priority 2 audits will be delivered when additional resources are sourced including an internal audit delivery partner (previously BDO) and recruitment to the vacancies post restructure (2

Internal Auditors and 1 Internal Audit Practitioner). We are currently seeking quotes from delivery partners via the Council's procurement process and recruitment for the vacancies began in early July 2021. Should we be unable to source a delivery partner or successfully recruit to the vacancies we will be unable to deliver any priority 2 audits. This may result in the annual internal audit opinion being narrower in its scope. We will provide regular updates to CLT and the Audit Committee on progress with additional resources and delivery/outcomes from the planned internal audits.

- 3.14 A copy of the proposed audit plan that was reviewed and agreed in principle by CLT in June 2021 is attached at Appendix B. A summary description of the risks referenced in the plan is attached at Appendix C.

## **Recommendation**

- 3.15 The Audit Committee to agree the internal audit and anti-fraud annual plan for 2021-22 and note the currently internal audit resource and plans to increase resources and subsequently the internal audit plan.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no specific statutory equality implications.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 Other than the Accounts and Audit Regulations 2015 there are no other statutory implications.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 Other than the requirements on the authority and responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no direct financial implications.

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 This report is compliant with the Council's legal duties in respect of risk and internal audit. It also demonstrates compliance with the Corporate Director Resources' statutory duties under s.151 of the Local Government Act 1972.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

## **Appendices**

- Appendix A Internal Audit Strategy for 2020 to 2023
- Appendix B Draft Internal Audit and Anti Fraud Plan for 2021/22
- Appendix C Summary description of risks referenced in the annual plan

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

- NONE

#### **Officer contact details for documents:**

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